

## REG-57-001 DEFINITIONS

001.01 Authorized tax stamps shall mean any devices, stamps, labels, or prints manufactured, printed, or made as prescribed by the Tax Commissioner and includes decalcomania tax stamps.

001.02 Ordinary business hours shall include those hours in which the retailer or wholesaler makes available cigarettes for sale to purchasers.

001.03 Package shall mean a container in which individual cigarettes are wrapped or boxed. A container in which packages of cigarettes are wrapped or boxed is not included in the term package for the purpose of determining those containers to which the tax stamp is to be applied.

001.03A A container, in which less than twenty cigarettes are wrapped or boxed, is considered a package of cigarettes for Nebraska cigarette tax purposes and is subject to the Nebraska cigarette tax.

001.04 Vending machine shall mean any coin-operated mechanical device or contrivance used for the automatic sale, dispensation, or merchandising of cigarettes in their original package.

001.05 Cancellation of tax stamps shall mean affixation of the stamp so that it cannot be transferred to another package. A tax stamp that has been securely attached so that it may not be removed is considered to have been canceled. .

001.06 A manufacturer is any person or business who manufactures, assembles, fabricates, or produces cigarettes from raw materials for sale to licensed cigarette wholesalers or other persons.

(Section 77-2612, R.R.S. 2003. March 7, 2006.)

## REG-57-002 APPLICATION FOR PERMIT TO AFFIX TAX STAMPS

002.01 Application for an annual Nebraska Wholesale Cigarette Dealer's Permit shall be made to the Nebraska Department of Revenue on forms furnished by the Department.

002.02 The applying wholesale cigarette dealer must include with the application a fee of \$500.00 and shall furnish, with the application, proof that the dealer has obtained a municipal or county permit as a wholesale dealer in accordance with section 28-1420 of the Nebraska Revised Statutes.

002.03 If the application is approved, the wholesale cigarette dealer must furnish a corporate surety bond which is conditioned to faithfully comply with all revenue laws pertaining to the sale and use of cigarettes. Such bond must be furnished before the permit will be issued and may accompany the application. Such bond shall be for \$1,000.00 unless the Tax Commissioner shall require a larger amount.

002.04 The annual Nebraska Wholesale Cigarette Dealer's Permit shall run from January 1 to December 31.

(Sections 77-2603 and 77-2612, R.R.S. 2003. March 7, 2006.)

## REG-57-003 PURCHASE AND SALE OF TAX STAMPS

003.01 Only wholesale dealers holding a valid Nebraska Wholesale Cigarette Dealer's Permit may purchase and/or affix authorized tax stamps.

003.02 Such wholesale cigarette dealers shall purchase from the Department of Revenue authorized tax stamps. Payment must be made at the time of purchase. Deferred payments are not permitted and payment must be in the form of either certified check, cashier's check, bank draft, or bank money order.

003.03 For packages of 20 or fewer cigarettes and for packages containing more than 20 cigarettes, tax stamps may be purchased only in units as prescribed by the Nebraska Department of Revenue.

003.04 Wholesale cigarette dealers purchasing authorized tax stamps are permitted to purchase such tax stamps at a discount of one and eighty-five hundredths percent (1.85%) as a commission for affixing such tax stamps .

003.05 Every wholesale cigarette dealer who violates any of the provisions of sections 77-2601 through 77-2622 of the Nebraska Revised Statutes or any stamping agent who violates any provisions of section 69-2708 of the Nebraska Revised Statutes or any rules and regulations adopted by the Department of Revenue, including failure to timely file the required reports, may be subject to a penalty not to exceed one thousand dollars and have its license or discount privileges suspended or revoked.

(Sections 69-2708, 77-2612, and 77-2608, R.R.S. 2003. March 7, 2006.)

REG-57-004 Repealed.

## REG-57-005 AFFIXING TAX STAMPS

005.01 Authorized tax stamps of the proper denomination are to be affixed to each individual package of cigarettes in such manner as to adhere securely in accordance with the instructions of the manufacturer. If packages of cigarettes are wrapped in, or covered by, some substance to which the tax stamps do not readily adhere, such wrapper or covering must be roughened or treated so that the tax stamps will adhere securely thereto.

005.02 Authorized tax stamps of the proper denomination are to be affixed only to the bottom end of each package of twenty (20) or more cigarettes.

005.03 Authorized tax stamps of the proper denomination are to be affixed to the lid or top of flat, round, or other nonstandard packages of cigarettes in such manner as to assure the destruction of the stamp when the package is opened.

005.04 Authorized tax stamps are not to be affixed to the carton, case, or container of cigarettes, other than the individual package.

005.05 When a duly licensed wholesale cigarette dealer opens an original, sealed, manufacturer's shipping container or case of cigarettes in order to affix Nebraska authorized tax stamps or the tax stamps or impressions of any other state, all packages of cigarettes in the container or case are to be stamped in one continuous operation.

005.06 Duly licensed wholesale cigarette dealers may not have in their possession packages of cigarettes, other than those in the original, sealed, manufacturer's shipping container or case to which authorized tax stamps or tax stamps or impressions of any other state have not been affixed.

005.07 Authorized tax stamps must be canceled prior to the time of sale by the wholesale dealer. Cancellation of tax stamps is made when the stamp is affixed so it may not be removed without tearing it.

(Sections 77-2602, 77-2603, and 77-2606, R.R.S. 2003. March 7, 2006.)

#### REG-57-006 INSPECTION OF TAX STAMPS

006.01 When the Tax Commissioner or his or her duly authorized agents or representatives shall find packages of cigarettes on which one complete readable authorized tax stamp cannot be found on each package, he or she shall direct the wholesale cigarette dealer responsible for the stamping and distribution of such cigarettes to take immediate action to correct such conditions. If such correction is not made by the wholesale cigarette dealer, the Tax Commissioner may suspend or revoke the wholesale cigarette dealer's privilege to affix tax stamps to packages of cigarettes.

006.02 This regulation does not limit in any way the penalties provided by statute for actions by any person with intent to defraud the state or evade the provisions of the state cigarette tax laws.

(Sections 77-2603 and 77-2605, R.R.S. 2003. March 7, 2006.)

#### REG-57-007 INSPECTION OF RETAIL AND VENDING MACHINE DISPLAYS

007.01 All packages of cigarettes are to be arranged in display cases, display counters, or cigarette racks so as to visibly reveal the authorized tax stamp if such arrangement is feasible with the type of display case, display counter, or cigarette rack that is being used. Any person who owns or uses a display case, display counter, or cigarette rack which is so constructed that it is not feasible to arrange the cigarette packages contained therein in a manner to visibly reveal the authorized tax stamp, upon oral request of the Tax Commissioner or his or her authorized agent and without any additional notice, is required to unlock or open any and all such cases, counters, or racks for a complete examination and inspection of the cigarette packages therein for the purpose of ascertaining that the packages bear authorized tax stamps.

007.02 All packages of cigarettes are to be packed in cigarette vending machines in such a manner that, if any packages are visible while in the machine, the tax stamps must be clearly visible to the public and to the Tax Commissioner or his or her authorized agent. This paragraph will in no way limit the inspection of the interior of the vending machine by the Tax Commissioner or his or her authorized agent if such inspection is required of the owner or operator of the machine.

007.03 Any person who owns or operates a cigarette vending machine which is so constructed that any packages of cigarettes it contains are not visible to the public, upon oral request of the Tax Commissioner or his or her authorized agent and without any additional notice, is required to unlock and open any and all such machines owned or operated for a

complete examination and inspection of the cigarette packages therein for the purpose of ascertaining that the packages bear authorized tax stamps.

007.04 If any such vending machine is located on premises not owned or controlled by the owner or operator of the vending machine located thereon, access to the interior of such machine must be provided at all reasonable times during ordinary business hours to the Tax Commissioner or his or her authorized agent for the purpose of examining and inspecting the cigarette packages therein to ascertain that the packages bear authorized tax stamps.

(Section 77-2605, R.R.S. 2003. March 7, 2006.)

## REG-57-008 REPORTS

008.01 Every person, firm, or association receiving cigarettes subject to a tax on the use thereof from sources within or from sources without the boundaries of Nebraska, upon which the tax has not been paid, shall pay such tax and make a report of the receipt of such untaxed cigarettes to the Nebraska Department of Revenue on or before the tenth day of each month for cigarettes received during the preceding month. Such reports shall state the quantity of cigarettes received (number of packages), date, amount paid, and from whom received.

008.02 Every licensed wholesale cigarette dealer and stamping agent as defined in Reg-58-002.08 must file monthly reports upon forms authorized by the Nebraska Department of Revenue. The reports must be filed on or before the tenth day of each month for business conducted during the preceding month and provide information as required by the Tax Commissioner. See Reg-58-006 for other monthly reporting requirements. The report shall be considered timely filed if properly addressed to the Nebraska Department of Revenue and postmarked on or before the tenth day of each month. If the tenth day of the month falls on a Saturday, Sunday, or approved holiday, the next day not a Saturday, Sunday, or approved holiday shall be the final timely filing date.

008.03 If the tax is not paid and the required report is not received on or before the tenth day of the month following the month in which the unstamped cigarettes were received, the report shall be deemed delinquent and a penalty of 25% of the tax due will be added to the tax liability, together with interest at the rate specified in section 45-104.02 of the Nebraska Revised Statutes, from the due date of the return to the date payment is received.

008.04 Monthly reports shall be mailed to the Department of Revenue, P.O. Box 94818, Lincoln, Nebraska 68509-4818.

008.05 Records supporting deductions claimed on the monthly reports must be retained by the wholesaler, unless required by the Tax Commissioner to attach such supporting documentation to the monthly reports. These records shall include:

008.05A Copies of tax reports made to other states by Nebraska wholesale cigarette dealers for cigarettes retailed outside Nebraska;

008.05B Invoices to manufacturers for damaged merchandise returned to the factory for credit; and

008.05C Memo invoices for transfers of cigarettes from one wholesaler to another, or from one wholesaler to a factory representative for transfer of unstamped cigarettes.

008.06 When sales are made for delivery into other states where there is not a state tax report to support these sales, it shall be necessary that each wholesaler execute a standard exemption form for each such transaction which shows (a) the date of sale, (b) the name and address of the consignee, and (c) the number of cigarettes sold. Wholesalers located outside the State of Nebraska will be required to submit a report of Nebraska stamped cigarettes sold to Nebraska retailers. Such report shall include (a) the date of the sale, (b) the name and address of the retailer, and (c) the number of cartons sold. They may also be required, upon request, to furnish copies of tax reports made to other states as sales into Nebraska.

008.07 When stamped cigarettes are returned to the factory, an invoice must be written charging the factory with the number of packages returned . The affidavit executed by the manufacturer must (a) indicate the number of stamped or unstamped packages received, (b) indicate the number of packages received bearing authorized tax stamps , and (c) attest to the destroying thereof.

008.08 Any cigarette tax shortage, evidenced by the entries and calculations on each monthly cigarette tax report, must be paid for by separate check attached to the applicable tax report. The discount as described in Reg-57-003.04 is not allowed on shortages. Any tax shortage discovered by the Nebraska Department of Revenue, upon office audit of each tax report, will be billed currently to the licensee and such licensee will remit by certified check, cashier's check, bank draft, or bank money order the amount of such shortage of tax by return mail. The licensee is not permitted to average-out any monthly shortage with any other month which shows that more stamps were used than the number of cigarettes which were recorded as taxable.

(Sections 77-2604, 77-2608, and 77-2618, R.R.S. 2003. March 7, 2006.)

#### REG-57-009 CARTAGE COST

009.01 If a wholesaler is also a retailer, then the cost to the wholesaler for those cigarettes which he or she subsequently sells at retail shall have added thereto the cartage cost of the cigarettes.

009.02 If a retailer performs any part of the cartage, then the cartage cost shall be added to the retailer's cost of doing business. The cartage cost shall be deemed to be three-quarters of one percent of the basic cost of the cigarettes to the wholesaler in the absence of filing with the Nebraska Department of Revenue satisfactory proof of lesser or higher cost. Such cartage cost shall be added to the retailer's cost of the cigarettes before adding the retailer's cost of doing business.

(Section 59-1504, R.R.S. 2004. March 7, 2006.)

#### REG-57-010 FILING OF LOWER COST

010.01 Any wholesaler making wholesale sales of cigarettes to licensed Nebraska retailers or any retailer making retail sales of cigarettes in Nebraska who desires to prove that his or her cost of doing business in Nebraska is less than the statutory presumptive cost of doing business computed according to the Unfair Cigarette Sales Act shall submit a petition for approval of a lower cost along with actual cost data to the State Tax Commissioner. The

statutory presumptive cost of doing business must be used in determining cigarette sales prices until approval has been granted by the State Tax Commissioner to sell at a lower cost.

010.02 Petition for approval of a lower cost shall include:

010.02A Any person making sales of cigarettes in Nebraska for more than a twelve (12) month period shall submit actual cost data for the twelve (12) month period ending no more than 90 days prior to the submission of the petition, and actual cost data for each of the petitioner's locations desiring to sell cigarettes at less than their statutory presumptive cost of doing business.

010.02B Any person making sales of cigarettes in Nebraska for less than a twelve (12) month period shall submit actual cost data for the period beginning with the start of business and ending no more than 90 days prior to the submission of the petition of lower cost for each of the petitioner's locations desiring to sell cigarettes at less than his or her statutory presumptive cost of doing business. In addition, an explanation must be submitted with the petition of any expected differences between the petitioner's actual cost data and the costs for the remaining months of the initial twelve (12) month period of operations.

010.03 Upon receipt of the petition for approval of a lower cost and actual cost data, the State Tax Commissioner shall, within 45 days:

010.03A Approve the petition of a lower cost;

010.03B Request additional cost data or an explanation of the previously submitted information. Any requested information shall be submitted as directed by the Department of Revenue;

010.03C Schedule the matter for hearing which shall be set at least 20 days, but not more than 60 days, from the date of mailing by certified mail of the hearing notice. The hearing notice may require that the petitioner provide specified documents to the Department of Revenue prior to or at the hearing; or

010.03D Return as incomplete any petition for approval of a lower cost and actual cost data that does not contain the information as required in Reg-57-010.10 and Reg-57-010.11.

010.04 The Department of Revenue shall notify the petitioner within 45 days after the hearing of the State Tax Commissioner's determination. Any order of approval shall contain an expiration date and the percentage of cost of doing business as determined by the Department of Revenue for the petitioner's specific location. The percentage of cost of doing business shall be used by the petitioner in establishing the minimum selling price for cigarettes that are to be sold at a specific location. The initial order of approval shall contain an expiration date not to exceed 18 months from the date of the order of approval. The expiration date should coincide with the petitioner's calendar or fiscal year end. Each subsequent order of approval shall not exceed twelve (12) additional months. Actual cost data and supporting documentation for each subsequent period must be submitted sixty (60) days prior to the expiration date of the order.

010.05 Any information or evidence filed pursuant to this regulation shall be treated as confidential and shall not be disclosed by the State Tax Commissioner, or his or her employees or agents, except for administrative review at a hearing for the purpose of providing the petitioner an opportunity to explain or answer any questions concerning the cost information

submitted, or for the furnishing of the information to other states who allow similar privileges to the Tax Commissioner.

010.06 Persons selling cigarettes in Nebraska who desire to submit a petition for approval of lower cost must follow the criteria set forth in Reg-57-010.06A through Reg-57-010.06C for their particular business operations to determine whether they are acting in the capacity of a wholesaler, retailer, or wholesaler and retailer of cigarettes and whether Reg-57-010.07, Reg-57-010.08, or Reg-57-010.09 must be used in determining their presumptive cost of doing business. A person may be acting in more than one capacity during the same time period. Such a person will have to use a different method of determining the presumptive cost of doing business for the cigarettes sold in each capacity.

010.06A A person who purchases unstamped cigarettes from a cigarette manufacturer or another wholesaler and sells stamped cigarettes for resale is a wholesaler and must determine his or her cost of doing business as prescribed in Reg-57-010.07. The terms sell at wholesale, sale at wholesale, and wholesale sales include the transfer of title of cigarettes to a retailer or wholesaler for the purpose of resale.

010.06B A person who purchases unstamped cigarettes from a cigarette manufacturer and sells stamped cigarettes to a purchaser for consumption or use and not for resale is a retailer and must determine his or her cost of doing business as prescribed in Reg-57-010.09.

010.06C A person who purchases stamped cigarettes from a wholesaler and sells cigarettes to a purchaser for consumption or use is a retailer and must determine his or her cost of doing business as prescribed in Reg-57-010.08.

010.07 The following guidelines shall be used by wholesalers who purchase unstamped cigarettes from a cigarette manufacturer or another wholesaler and sell cigarettes to a retailer.

010.07A Cost to the wholesaler shall mean the basic cost as defined in Reg-57-010.12E plus the cost of doing business by the wholesaler as evidenced by the accounting standards and methods regularly employed on a consistent basis by the wholesaler in his or her allocation of overhead costs and expenses paid or incurred for the purpose of determining accounting income in accordance with generally accepted accounting principles and standards. All revenues and expenses paid or incurred shall be properly matched for the analysis period for the petitioner's total operations.

010.07B Costs of doing business shall include, but are not limited to, all direct costs, e.g., inbound freight charges, labor costs to affix tax indicia, cost of equipment to affix hand stamps, glue, rental and maintenance expenses for the cigarette tax stamping equipment, state and local cigarette licenses, and indirect overhead costs and expenses paid or incurred, such as pre-opening expenses; management fees; labor costs (including salaries of executives and officers); rents; depreciation; selling costs; maintenance expenses; interest expenses; delivery costs; all types of licenses; all types of taxes; insurance; advertising; and any district, central, regional, and administrative and operational expenses.

010.07C All indirect overhead costs and expenses paid or incurred by each of the petitioner's specific locations filing a petition of lower cost shall be fully allocated as required by Reg-57-010.07A.

010.07D All district, central, and regional pre-opening, administrative, and operational overhead costs and expenses paid or incurred shall be fully allocated in accordance with Reg-57-010.07A.

010.07E Prior to the Department of Revenue's approval of a petition for a lower cost, or after the expiration of an approved petition, the cost of doing business by the wholesaler making the sale shall be presumed to be four percent (4%) of the basic cost of cigarettes to the wholesaler, plus cartage to the retail outlet if performed or paid by the wholesaler, which cartage cost, in the absence of filing a petition for approval of a lower cost, shall be presumed to be three-quarters of one percent ( $\frac{3}{4}$  of 1%) of the basic cost of cigarettes to the wholesaler.

010.08 The following guidelines shall be used by retailers who purchase stamped cigarettes and sell cigarettes at retail.

010.08A Cost to the retailer shall mean the basic cost as defined in Reg-57-010.12E plus the cost of doing business by the retailer as evidenced by the accounting standards and methods regularly employed on a consistent basis by the retailer in his or her allocation of overhead costs and expenses paid or incurred for the purpose of determining accounting income in accordance with generally accepted accounting principles and standards. All revenues and expenses paid or incurred shall be properly matched for the analysis period for the petitioner's total operations.

010.08B Costs of doing business shall include, but are not limited to, all direct costs, e.g., inbound freight charges, state and local cigarette licenses, and indirect overhead costs and expenses paid or incurred, such as pre-opening expenses; management fees; labor costs (including salaries of executives and officers); rents ; depreciation; selling costs; maintenance expenses; interest expenses; delivery costs; all types of licenses; all types of taxes; insurance; advertising; and any central and regional administrative expenses.

010.08C All indirect overhead costs and expenses paid or incurred by each of the petitioner's specific locations shall be fully allocated as required by Reg-57-010.08A.

010.08D All district, central, and regional pre-opening, administrative, and operational overhead costs and expenses paid or incurred shall be fully allocated in accordance with Reg-57-010.08A.

010.08E Prior to the Department's approval of a petition for a lower cost, or after the expiration of an approved petition, the cost of doing business by the retailer shall be presumed to be eight percent (8%) of the basic cost of cigarettes to the retailer.

010.09 The following guidelines shall be used by retailers who buy unstamped cigarettes from a cigarette manufacturer and sell cigarettes at retail.

010.09A Any retailer who purchases unstamped cigarettes from a manufacturer at a price which is approximately the same as the price normally and usually charged for purchases in wholesale quantities, shall, in determining the cost to the retailer, add to the basic cost of cigarettes as defined in Reg-57-010.12E the cost of doing business by the retailer and the cost of doing business by the wholesaler.

010.09B Costs of doing business shall include, but are not limited to, all direct costs, e.g., inbound freight charges, labor costs to affix tax indicia, cost of equipment to affix hand stamps, glue, rental and maintenance agreement expenses for the cigarette tax stamping equipment, state and local cigarette licenses, and indirect overhead costs and expenses



paid or incurred, such as pre-opening expenses; management fees; labor costs (including salaries of executives and officers); rents ; depreciation; selling costs; maintenance expenses; interest expenses; delivery costs; all types of licenses; all types of taxes; insurance; advertising; and any central and regional administrative expenses.

010.09C All indirect overhead costs and expenses paid or incurred by each of the petitioner's specific locations shall be fully allocated as required by Reg-57-010.09A.

010.09D All district, central, and regional pre-opening, administrative, and operational overhead costs and expenses paid or incurred shall be fully allocated in accordance with Reg-57-010.09A.

010.09E Prior to the Department's approval of a petition for a lower cost, or after the expiration of an approved petition, the cost of doing business by such retailer for purchases from a manufacturer shall be presumed to be 12.32% of the basic cost of cigarettes to such retailer.

010.10 The actual cost data to be submitted shall (1) be based on cost of goods sold, (2) contain the petitioner's basic cost of cigarettes sold for the specific location, (3) set forth each specific total direct cost, overhead cost, and expense paid or incurred, and (4) set forth the basis used to allocate each overhead cost and expense item in the purchase and sale of cigarettes in Nebraska. The total dollar amount of each overhead cost and expense item to be allocated must be set forth and followed by a showing of its one-hundred percent (100%) allocation.

#### WHOLESALE OR RETAILER COST OF DOING BUSINESS FOR THE SPECIFIC LOCATION

PERIOD OF ANALYSIS BEGINNING \_\_\_\_\_, AND ENDING \_\_\_\_\_.

##### BASIC COST DETERMINATION:

Total invoice cost of all cigarettes sold in Nebraska for the period of analysis \$  
Less: total manufacturer's cash discounts for prompt payment allowed on the purchase of cigarettes sold in Nebraska \$  
Net invoice cost of cigarettes sold in Nebraska \$  
Plus: Nebraska cigarette tax on cigarettes sold in Nebraska \$  
Total basic cost of cigarettes sold in Nebraska \$

##### COST OF DOING BUSINESS

A. Direct costs associated with the purchase and sale of cigarettes in Nebraska for the analysis period \$  
B. All indirect costs that are allocated, broken down by name or nature of cost in the analysis period.  
The total amount to be allocated must be shown. \$  
Total direct and indirect overhead costs \$  
Percentage of cost of doing business (total direct and indirect costs divided by basic cost) %

010.11 When submitting actual cost data, as required by Reg-57-010.10, the petitioner shall provide supporting documentation such as, but not limited to:

010.11A A written explanation of any difference between the petitioner's overall cost of doing business from his or her cigarette cost of doing business for the specific location that is engaged in the business of selling cigarettes at wholesale to licensed Nebraska retailers or making sales of cigarettes at retail in this state;

010.11B A copy of one cigarette purchase invoice from each cigarette manufacturer or wholesaler for every month of the period of analysis;

010.11C Copies of the latest filed federal income tax returns including Schedule A and all attachments;

010.11D Schedule K-1 (Form 1065);

010.11E Form 4562;

010.11F Latest available income statements;

010.11G Latest available annual reports; and

010.11H Any other financial statements or information necessary to substantiate the actual cost data.

010.12 Definitions as defined in the Unfair Cigarette Sales Act in section 59-1502 of the Nebraska Revised Statutes.

010.12A Wholesaler shall mean any person who:

010.12A(1) Purchases cigarettes directly from the manufacturer;

010.12A(2) Purchases cigarettes from any other person who purchases from the manufacturer with the intent to acquire such cigarettes solely for the purpose of bona fide resale to retail dealers or to other persons for the purpose of resale only;

010.12A(3) Services retail outlets by the maintenance of an established place of business for the purchase of cigarettes, including, but not limited to, the maintenance of warehousing facilities for the storage and distribution of cigarettes.

010.12B Retailer shall mean any person, including a wholesaler, who operates a store, stand, booth, or concession for the purpose of making sales of cigarettes at retail including sales through vending machines.

010.12C Sell at retail, sale at retail, and retail sales shall mean any transfer of cigarettes for a valuable consideration, made in the ordinary course of trade or usual conduct of the seller's business, including sales through vending machines, to the purchaser for ultimate consumption or use.

010.12D Sell at wholesale, sale at wholesale, and wholesale sale shall mean any bona fide transfer of title to cigarettes for a valuable consideration made in the ordinary course of trade or in the usual conduct of the wholesaler's business, to a retailer for the purpose of resale.

010.12E Basic cost shall mean the invoice cost of cigarettes to the retailer or wholesaler, or the replacement cost of cigarettes to the wholesaler or retailer in the last quantity purchased, whichever is lower, less all trade discounts and the normal discount for cash afforded for prompt payment, excluding any special, extraordinary, or anticipatory discounts for payment within a shorter period of time than the prompt payment date required for eligibility for the normal discount for cash, and to which shall be added the full value of all stamps which may be required by any cigarette tax act and ordinance of

any municipality of that state in effect or enacted at a later date, if the cigarette tax has not already been included by the cigarette manufacturer in its list price.

010.12F Trade discounts shall mean those price reductions which are offered by a cigarette manufacturer and represent a reduction in the list price of the item being purchased.

010.12G Cash discounts shall mean those price reductions which are offered by a cigarette manufacturer and represent an inducement to the purchaser to encourage prompt payment.

(Section 28-1423 R.R.S. 1995, and sections 59-1501 through 59-1518, R.R.S. 2004. March 7, 2006.)

#### REG-57-011 MEETING COMPETITION

011.01 Prior to offering cigarettes for sale at a lower price to meet competition pursuant to Section 59-1509, R.R.S. 1943, the wholesaler or retailer must ascertain from the Tax Commissioner whether the competitor has made a filing proving a lower cost in accordance with Reg-57-010.

011.02 Upon affirmation, the wholesaler or retailer may presume the validity of the competitor's lower price until a determination otherwise has been made by the Tax Commissioner.

(Section 59-1509, R.R.S. 1943. September 15, 1975.)

#### REG-57-012 OFFERS OF CIGARETTE SALES

012.01 Wholesalers, retailers, and other persons are prohibited from advertising, offering to sell or selling at retail or wholesale cigarettes at less than cost to such wholesaler or retailer, or offering or giving a rebate in price or concession of any kind in connection with the sale of cigarettes unless such rebate in price or concession is given by the wholesaler or retailer in the same ratio with respect to all other merchandise as to which such rebate or concession may lawfully be given which is sold by such wholesaler or retailer in the ordinary course of his trade or business. The term "other persons" includes cigarette manufacturers. Manufacturers who, with intent to injure competition among the retailers or wholesalers of this state, offer cigarettes for sale at retail or wholesale at less than cost to such retailer or wholesaler, are in violation of the Unfair Cigarette Sales Act.

(Sections 59-1503, 59-1514, and 59-1502(1), R.R.S. 1943. September 15, 1975.)

#### REG-57-013 INTENT TO INJURE COMPETITION

013.01 A sale, offer of sale or advertisement by a retailer, wholesaler, or other person, of cigarettes at less than cost or an offer of a rebate or concession for the sale of cigarettes or a promotional offer made by cigarette manufacturers for any purpose which is made available to retailers or wholesalers on a localized basis, is prima facie evidence of an intent to injure competition under Section 59-1503(1), R.R.S. 1943. Manufacturers may overcome this presumption of an intent to injure competition among retailers or wholesalers by showing to the

satisfaction of the Tax Commissioner that such offer was made available to every retailer or wholesaler, whose method of making sales would allow them to participate in the promotion. Manufacturers must submit to the Tax Commissioner a written explanation of the promotion within a reasonable time prior to the promotion and agree to furnish proof that the promotion was offered to each eligible retailer or wholesaler, if the Tax Commissioner should so request. If the offer was not made available to every retailer or wholesaler within a reasonable time for the retailer or wholesaler to accept the offer, then the presumption is that the manufacturer attempted to injure competition among retailers or wholesalers by only presenting the offer to some of the retailers or wholesalers and such offer is prohibited. All promotions must be offered on a state-wide basis and must have the Tax Commissioner's approval prior to being offered.

(Sections 59-1503 and 54-1506, R.R.S. 1943. December 4, 1984.)

#### REG-57-014 OFFERS OF MERCHANDISE COMBINED WITH CIGARETTES

014.01 No wholesaler, retailer, or other person may offer, with intent to injure competition among the wholesalers or retailers of this state, a combined package of cigarettes and other merchandise including cigarettes, at a price less than the combined costs of the cigarettes and merchandise. The wholesale or retail selling price of such combined package must equal or exceed the total of the invoiced cost of the cigarettes, including the cost of doing business, all applicable cigarette taxes, and the invoiced cost of the merchandise including the cost of doing business in relation to that merchandise. None of these three factors may be reduced by any payment by another person, a refund, or a credit memo.

014.02 A manufacturer may offer combined packages of cigarettes and merchandise, including cigarettes, at a reduced invoice price by overcoming the presumption of intent to injure competition between retailers or wholesalers in this state. If the manufacturer shows, under Reg-57-013, that the combination offer is made available to all the retailers or wholesalers in the state, then the presumption is overcome.

(Sections 59-1503, 59-1506, and 59-1511, R.R.S. 1943. May 11, 1982.)

#### REG-57-015 OFFERS OF PREMIUM COUPONS

015.01 A premium coupon attached by a wholesaler or retailer to cartons or packages of cigarettes is a concession given for the purchase of cigarettes and is prohibited by Section 59-1503, R.R.S. 1943. A premium coupon is a coupon which is redeemable by the purchaser for merchandise, cash, trading stamps, or anything of value.

015.02 Premium coupons may be attached by manufacturers to cigarette cartons or packages if such cartons and packages are made available to all retailers and wholesalers in the state without preference. If a manufacturer does not make such premium coupons available to all wholesalers or retailers, then the manufacturer has not overcome the presumption of intent to injure competition among the retailers and wholesalers of this state.

(Sections 59-1503 and 59-1514, R.R.S. 1943. September 15, 1975.)

#### REG-57-016 COUPONS FOR A REDUCTION IN PRICE

016.01 Coupons may not reduce the selling price of cigarettes to below the retailer's cost as computed in section 59-1504 of the Nebraska Revised Statutes. A retail store coupon is a coupon offered by a retailer by which the price of any container of cigarettes is reduced by

presenting the coupon to the retailer who has issued it. A retail store coupon is in effect a discount by the store and reduces the selling price to the purchaser of the cigarettes. If the price is reduced below the retailer's cost by the coupon, then the coupon offer is prohibited. If the coupon is given by a retailer upon the purchase of cigarettes and later redeemed by the retailer, such redemption is a concession or rebate and is prohibited.

016.02 A manufacturer's coupon is a coupon offered by the manufacturer to the public by which the price of any container of cigarettes is reduced by presentation of the coupon. A manufacturer's coupon is a separately negotiable document. Price reduction stickers or coupons that are not redeemable by the participating retailer are prohibited. Such coupons which reduce the selling price of cigarettes below the retailer's cost or which are a rebate or concession for the purchase of the cigarettes are prohibited if such coupon is offered with the intent to injure competition among the retailers and wholesalers of this state. The manufacturer may overcome the presumption of intent to injure competition if the manufacturer fulfills the requirements of Reg-57-013 and shows that the coupon is redeemable by all retailers choosing to participate in the offer, that the manufacturer will give the same rebate or concession regardless from which retailer the cigarettes were obtained, and that the coupon will be invalid if used by the retailer in the retailer's advertising.

016.03 Any retailer participating in a buy-down promotion may use promotional signs and displays to advertise the value of a cigarette manufacturer's buy-down amount or the selling price of the cigarettes after allowance for the buy-down amount, provided the promotional signs and displays identify the full retail selling price prior to the buy-down amount. The promotional signs and displays must also state that the sales tax is computed on the full retail selling price prior to the allowance for the buy-down amount. Advertising the selling price net of the buy-down amount is permissible even when the buy-down amount reduces the sales price below the minimum retail selling price.

016.04 Retailers accepting a manufacturer's coupon as part of the selling price of a package of cigarettes must compute the applicable sales tax on the full selling price before deduction for the coupon.

(Sections 59-1503 and 59-1514, R.R.S. 2004. March 7, 2006.)

#### **REG-57-017 CASH DISCOUNTS GIVEN TO WHOLESALERS OR RETAILERS**

017.01 Cash discounts given to wholesalers or retailers by manufacturers or given to retailers by wholesalers for prompt payment of invoices reduce the invoice cost of cigarettes to the wholesaler or retailer and may be reflected in a lower purchase price. If the purpose of such discounts is not to entice the purchaser to purchase from a particular seller but rather to encourage prompt payment of invoices, there is no presumed intent to injure competition by such action.

(Sections 59-1504(1) and 59-1505, R.R.S. 1943. May 14, 1994.)

#### **REG-57-018 SHELF PAYMENTS TO RETAILERS BY MANUFACTURERS**

018.01 Payments made or credits given to a retailer for promotional purposes including shelf payments are not to be considered in determining the cost of cigarettes to the retailer, nor can such payments or credits be used to increase the approved buy-down promotion or to extend a designated promotion period.

(Section 59-1511(2) R.R.S. 2004. March 7, 2006.)

#### REG 57-019 EXEMPTION FOR NATIVE AMERICAN INDIANS

019.01 Any sale of cigarettes to a Native American Indian where title and possession are taken within the boundaries of an Indian Reservation in Nebraska is exempt from tax.

019.02 Retailers making exempt cigarette sales may receive a credit for the cigarette tax. To support the credit the retailer must distinguish on his or her cigarette sales records the exempt sales to Native American Indians from the nonexempt sales.

019.03 A claim for credit of cigarette tax must be made to the licensed wholesale distributor on the Nebraska Credit Computation for Cigarettes and Tobacco Products Sold to Native American Reservation Indians, Form 68.

019.04 Licensed wholesale distributors receive credit for the cigarette tax paid by submitting the completed Form 68 with a subsequent Nebraska Cigarette Purchase Order for Stamps and Impressions.

(Sections 59-1514 and 59-1518, R.R.S. 1943. May 14, 1994.)

#### REG 57-020 MINIMUM SELLING PRICE

020.01 A change in the list price of cigarettes by a manufacturer or a change in the Nebraska cigarette tax rate must be followed by a change in the minimum selling price charged by wholesalers and retailers.

020.02 Any change in the minimum selling price of cigarettes becomes effective the same date as the manufacturer's change or the Nebraska cigarette tax rate change.

020.03 Each step in the minimum pricing calculation must be computed to the tenth of a cent and the result rounded to the next higher cent.

(Sections 59-1514 and 59-1518, R.R.S. 1943. May 14, 1994.)